

Glen Lake Community Library

FINANCIAL STATEMENTS
AND REPORT OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS

December 31, 2006

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other			Local Unit Name Glen Lake Community Library	County Leelanau
Fiscal Year End 12/31/06	Opinion Date July 6, 2007	Date Audit Report Submitted to State October 6, 2007		

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

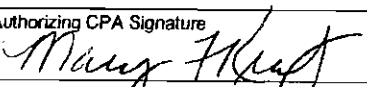
YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
- N/A 7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) Dennis, Gartland & Niergarth		Telephone Number (231) 946-1722		
Street Address 415 Munson Avenue		City Traverse City	State MI	Zip 49686
Authorizing CPA Signature 		Printed Name Mary F. Krantz		License Number 1101014936

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Glen Lake Community Library

MANAGEMENT'S DISCUSSION AND ANALYSIS

Using This Annual Report

This annual report consists of three parts: *management's discussion and analysis*, the *basic financial statements* and *required supplementary information*.

Management's discussion and analysis (this section) is intended to provide insight as to the financial condition of the Library and its current activities as well as providing forward looking data as to future activities.

The *basic financial statements* consist of a statement of net assets as of the end of the year and a statement of activities which summarizes the annual revenues and expenditures of the Library. These statements are followed by notes that explain the Library's accounting policies and provide other information useful in understanding its financial position and activities. The statements include information that presents two different views of the Library.

- The first column of the financial statements includes information presented under the modified accrual method which focuses on the sources and uses of funds.
- The adjustment column of the financial statements details the adjustments necessary to convert the financial to the full accrual method of accounting.
- The third column of the financial statements presents information on the full accrual basis.

The only difference between the two methods of accounting is in the manner in which expenditures for items that are expected to provide a benefit to the Library for more than one year are treated. Under the modified accrual basis such items, which include building and improvements, collection expenditures (books, video, audio and music) and furnishings and accessories, are treated as an expense in the year purchased. Under the full accrual method such items are capitalized as assets and depreciated over their useful lives.

The *required supplementary information*, which follows the basic financial statements, consists of a comparison of actual revenues and expenditures to the originally adopted budget and the final amended budget approved by the Library's Board of Directors.

Financial Position

The Library had cash and investments totaling approximately \$585,000 as of December 31, 2006 compared to \$555,000 at December 31, 2005. These amounts include investments in US government securities which mature in 2012 with a market value of \$377,000 at the end

of 2006 compared to \$376,000 at the end of 2005. Although not restricted these funds are intended to finance potential future Library expansions. The Library maintains minimal checking account balances and had approximately \$25,000 and \$28,000 at December 31, 2006 and 2005, respectively, in money market savings accounts which are available upon demand. The remaining amounts totaling approximately \$180,000 and \$145,000 at the end of 2006 and 2005, respectively, were invested in bank certificates of deposit with varying maturities of one year or less.

Fixed assets investments net of depreciation totaled \$300,000 as of December 31, 2006 compared to \$305,000 at December 31, 2005. The 2006 amount consisted of the Library facility (\$217,000), furniture and accessories (\$ 24,000) and collection (\$59,000). During 2006 the Library invested approximately \$20,000 in its video, audio, music and book collection. The Library also invested \$1,700 in the initial design costs of a renovation project to convert existing storage space into display space for its video and music collection. The project was completed in early 2007 at a total cost of \$37,000.

The Library had minimal current liabilities at the end of both 2006 and 2005 and had no borrowings during either year.

Financial Activities

Revenues in 2006 totaled \$148,500 compared to \$137,100 in 2005. Property taxes continue to be the major source of income and amounted to \$96,500 in 2006 and \$89,700 in 2005 or approximately 65% of each year's total income. Other major sources of income included donations from the Friends of the Glen Lake Library and others (\$13,000 in 2006 and \$14,400 in 2005), investment income (\$16,500 in 2006 and \$11,600 in 2005), intergovernmental revenue (\$10,000 in 2006 and \$10,400 in 2005) and video rentals (\$7,300 in 2006 and \$6,300 in 2005).

Expenses for the year totaled \$122,000 in 2006 compared to \$111,000 in 2005. Salary and related items amounted to \$64,800 in 2006 or 53% of total expenses compared to \$63,300 or 57% of total expenses in 2005. The Library has a full-time director and two part-time assistants. Expenses do not include the significant value of the many volunteer hours provided Friends of the Library and others. Collection expenditures including periodicals approximated \$22,000 or 18% of modified accrual expenditures. Other significant items in 2006 included \$4,500 for the development of an improved web-site including an on-line catalog (\$ -0- in 2005), \$6,000 for utilities (\$6,500 in 2005) and \$6,600 for maintenance including exterior painting and several other projects (\$2,100 in 2005). The Library also contributed \$500 and many surplus books in 2006 to libraries on the Gulf Coast that suffered severe losses from Hurricane Katrina.

The differences between modified accrual expenditures (\$118,000 in 2006 and \$111,000 in 2005) and full accrual expenses (\$122,000 in 2006 and \$110,000 in 2005) were minimal since depreciation exceeded current year capitalized expenditures by only \$4,000 in 2006 and \$1,000 in 2005.

Budget Highlights

Budgeted expenditures were amended upward by \$5,550 in 2006 as a result of unanticipated maintenance projects (\$3,200), the purchase of a computer initially planned for 2007 (\$700), the acquisition of a special video package (\$800), contributions to Gulf Coast libraries (see above) and other minor items. Budgeted revenues exceeded amended budgeted expenditures by \$12,000. Actual revenues exceeded actual expenditures by \$30,000.

Millage Rates

The effective property tax rate for 2006 was .2012 mills compared to .2071 mills for 2005. The rate for 2007 is .1958 mills and is expected to generate \$103,000 in revenue.



Business and Financial Advisors
Our clients' success - our business

Thomas E. Gartland, CPA
Brad P. Niergarth, CPA
James G. Shimone, CPA
Robert C. Thompson, CPA
Michael D. Shaw, CPA
Mary F. Krantz, CPA
Shelly K. Bedford, CPA
Heidi M. Wendel, CPA

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors
Glen Lake Community Library

We have audited the accompanying basic financial statements of the ***Glen Lake Community Library*** as of December 31, 2006, and for the year then ended. These financial statements are the responsibility of Glen Lake Community Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Glen Lake Community Library as of December 31, 2006 and the changes in financial position for the year then ended, in conformity with generally accepted accounting principles.

The management's discussion and analysis and budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 6, 2007 on our consideration of the Glen Lake Community Library's internal control and its compliance with laws and regulations.

Dennis, Gartland & Niergarth

July 6, 2007

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Glen Lake Community Library

GOVERNMENTAL FUND BALANCE SHEET/STATEMENT OF NET ASSETS

December 31, 2006

	General Fund - Modified Accrual Basis	Adjustments (Note A)	Statement of Net Assets - Full Accrual Basis
ASSETS			
Cash and cash equivalents	\$ 26,418	\$ -	\$ 26,418
Investments	558,671	-	558,671
Capital assets	-	300,761	300,761
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 585,089</u>	<u>\$ 300,761</u>	<u>\$ 885,850</u>
 LIABILITIES			
Accounts payable	\$ 2,064	\$ -	\$ 2,064
 FUND BALANCE/NET ASSETS			
Unreserved	<u>583,025</u>	<u>(583,025)</u>	<u>-</u>
	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balance	<u>\$ 585,089</u>	<u>\$ (583,025)</u>	<u>\$ 2,064</u>
 Net assets			
Investment in capital assets		\$ 300,761	\$ 300,761
Unrestricted		<u>583,025</u>	<u>583,025</u>
		<u> </u>	<u> </u>
Total net assets		<u>\$ 883,786</u>	<u>\$ 883,786</u>

The accompanying notes are an integral part of these financial statements.

Glen Lake Community Library

STATEMENT OF GOVERNMENTAL REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE - STATEMENT OF ACTIVITIES

Year ended December 31, 2006

	General Fund - Modified Accrual Basis	Adjustments (Note A)	Statement of Activities - Full Accrual Basis
Revenues			
Millage revenue	\$ 96,530	\$ -	\$ 96,530
Intergovernmental			
State aid	1,246	-	1,246
County	8,758	-	8,758
Video rentals	7,283	-	7,283
Memorials and donations	2,081	-	2,081
Interest	16,480	-	16,480
Friends of the Library	10,960	-	10,960
Other	5,142	-	5,142
Total revenues	148,480	-	148,480
Expenditures			
Salary	57,066	-	57,066
Employee benefits	3,350	-	3,350
Payroll taxes	4,366	-	4,366
Books/periodicals	15,424	(13,277)	2,147
Videotapes	4,250	(4,250)	-
Audio tapes/music	3,070	(3,070)	-
Children's program	633	-	633
Maintenance	6,683	-	6,683
Utilities	5,989	-	5,989
Insurance	2,650	-	2,650
Office supplies	3,919	-	3,919
Professional services	4,483	-	4,483
Dues	158	-	158
Capital outlay	4,662	(1,739)	2,923
Depreciation	-	26,427	26,427
Miscellaneous	1,367	-	1,367
Total expenditures	118,070	4,091	122,161
REVENUES OVER EXPENDITURES/ CHANGE IN NET ASSETS	30,410	(4,091)	26,319
Fund balance/net assets - beginning of year	552,615	304,852	857,467
Fund balance/net assets - end of year	<u>\$ 583,025</u>	<u>\$ 300,761</u>	<u>\$ 883,786</u>

The accompanying notes are an integral part of these statements.

Glen Lake Community Library

NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Glen Lake Community Library (the "Library") conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

Reporting Entity

The Library was organized in May 1977. The Library serves primarily the residents of Empire, Glen Arbor and Kasson Townships, Leelanau County, Michigan. The Library is funded primarily through property taxes, State aid, penal fines and donations.

The Library is governed by an appointed seven-member Board. The Library is not included as a component unit in any other primary government's financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The Library has one fund, the General Fund, which is budgeted and accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Library considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when a liability is incurred, as under accrual accounting.

In addition, the statements present financial information for the Library using a long-term economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. The principal difference, however, is that expenditures for items that benefit future periods are capitalized and depreciated over the estimated useful life of the asset.

Cash Equivalents

For the purposes of balance sheet classification, the Library considers all money market accounts and certificates of deposit with maturities of 90 days or less to be cash equivalents.

Investments

Investments in money market funds and bonds are stated at fair market value. Unrealized increases or decreases resulting from changes in market value of investments are included annually in the statement of revenues, expenditures and changes in fund balance. The realized gain or loss on sale of investments is the difference between the proceeds received and the original cost basis of specific investments.

NOTES TO FINANCIAL STATEMENTS - Continued

NOTE A - SUMMARY OF SIGNIFICANT POLICIES - Continued

Capital Assets

Capital assets are defined by the Library as items with an initial cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at cost or, if donated, at their estimated fair value on the date donated.

Library books, video tapes and DVDs, audio tapes and music CDs which comprise the Library's collection are recorded as assets using various estimating techniques. Because of their nature and relevance to the Library's operations, they are capitalized despite individually being below the \$1,000 capitalization threshold.

Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

Depreciation on such capital assets is charged as an expense against the operations on a straight-line basis over the following estimated useful lives:

Building	50 years
Site improvements	20 years
Furniture and equipment	5-20 years
Library books and materials	7 years

Property Taxes

Property taxes are levied each December 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

The Library's 2005 tax is levied and collectible on December 1, 2005, and is recognized as revenue in the year ended December 31, 2006, when the proceeds of the levy are budgeted and available for financing operations.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

NOTES TO FINANCIAL STATEMENTS - Continued

NOTE B - DEPOSITS

Local governmental units are authorized to make deposits and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. Local units are allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; banker's acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of the purchase; obligations of the State or Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan. The investment policy adopted by the Library Board is in accordance with statutory authority.

The Library's deposits at December 31, 2006, are included on the balance sheet under the following classifications:

Cash	\$ 26,418
Investments	<u>558,671</u>
Total	<u>\$585,089</u>

All monies of the Library are deposited with Huntington National Bank and State Savings Bank, which provide FDIC insurance coverage, and Charles Schwab. The above deposits were reflected in the accounts of the bank (without recognition of deposits-in-transit or checks written, but not cleared) at \$588,503. Of that amount, \$162,679 was covered by Federal depository insurance, \$377,187 was invested in U.S. Government Securities and \$48,637 was uninsured and uncollateralized. Uninsured amounts may have been higher at any given time during the year ended December 31, 2006.

NOTE C - CAPITAL ASSETS

A summary of changes in capital assets follows:

	<u>Balance 12/31/05</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/06</u>
Building and improvements	\$ 270,743	\$ 1,739	\$ -	\$ 272,482
Furniture/equipment	61,178	-	(23,681)	37,497
Library books and materials	<u>109,273</u>	<u>20,597</u>	<u>(17,540)</u>	<u>112,330</u>
Total	441,194	22,336	(41,221)	422,309
Accumulated depreciation	<u>(136,342)</u>	<u>(26,427)</u>	<u>41,221</u>	<u>(121,548)</u>
Total	<u>\$304,852</u>	<u>\$ (4,091)</u>	<u>\$ -</u>	<u>\$ 300,761</u>

NOTES TO FINANCIAL STATEMENTS - Continued

NOTE D - PROPERTY TAX LEVY

At a special election in November 1996, taxpayers approved a tax levy not to exceed \$0.45 per \$1,000 of the taxable value on all taxable property in the Library's district for five years and \$0.25 per \$1,000 of taxable value to be levied for fifteen years thereafter. The \$0.45 per \$1,000 of the taxable value was levied for four years and was not levied the fifth year. The townships collect the real property taxes between December 1 and February 28. After this time, the taxes become delinquent and must be paid at the County Treasurer's office. The County pays the townships for uncollected property taxes as of February 28 out of the proceeds of tax revolving notes. The townships then pay the delinquent taxes to the Library.

In 2006, the Library levied a total real and personal property tax of \$96,530, of which \$91,891 was collected before becoming delinquent with the townships remitting \$4,639 after becoming delinquent. The levy was on \$479,625,235 of taxable value at .2012 mills.

NOTE E - BUDGET INFORMATION

The Library adopts a budget for its governmental type fund as required by Public Act 621 of the State of Michigan. The Library follows these procedures in establishing the budget as reflected in the financial statements.

- In October or November, the Library Board prepares a preliminary budget for the ensuing fiscal year.
- During December, the budget is legally enacted through passage of a resolution. Amendments to the budget are made during the fiscal year, if necessary.
- The budget is adopted on a basis consistent with the modified accrual method of accounting. A comparison of actual results of operations to the General Fund budget as adopted by the Library board is included in the required supplementary information.

NOTE F - LEASES

The Library leases a building from a local governmental unit for \$1 per year. The lease expires July 15, 2045, with the option to renew for up to two consecutive terms of twenty years each.

NOTE G - RISK MANAGEMENT

The Library carries coverage for property damage, liability, wrongful acts and crime claims. Also, the Library has purchased worker's compensation insurance from a commercial carrier. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTES TO FINANCIAL STATEMENTS - Continued

NOTE H - RETIREMENT PLAN

Glen Lake Community Library contributes to an individual retirement account for the Library Director. The expense for the year ended December 31, 2006 was \$1,178.

NOTE I - RECONCILIATION OF FUND FINANCIAL STATEMENTS TO GOVERNMENT-WIDE FINANCIAL STATEMENTS

Total fund balance and the net change in fund balance of the Library's General Fund differs from net assets and change in net assets of the governmental activities reported in the statement of net assets and statement of activities. The difference results primarily from the long-term economic focus of the statement of net assets and statement of activities versus the current financial resources focus of the governmental fund balance sheet and statement of revenue, expenditures and change in fund balance. The following are reconciliations of fund balance to net assets and the net change in fund balance to the net change in net assets:

Total fund balance - modified accrual basis	\$583,025
Amounts reported in the statement of net assets are different because capital assets are not financial resources and are not reported in the funds	<u>300,761</u>
Net assets of General Fund - full accrual basis	<u>\$883,786</u>
Net changes in fund balance - modified accrual basis	\$ 30,410
Amounts reported in the statement of activities are different because capital outlays are reported as expenditures in the statement of revenue, expenditures and change in fund balance; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:	
Library book and materials	20,597
Capital outlay	1,739
Depreciation	<u>(26,427)</u>
Changes in net assets of General Fund - full accrual basis	<u>\$ 26,319</u>

REQUIRED SUPPLEMENTARY INFORMATION

Glen Lake Community Library

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

Year ended December 31, 2006

	Originally Adopted Budget	Final Amended Budget	Actual Balances	Variance Favorable (Unfavorable)
Revenues				
Millage revenue	\$ 96,500	\$ 96,500	\$ 96,530	\$ 30
Intergovernmental				
State aid	1,500	1,500	1,246	(254)
County	9,000	9,000	8,758	(242)
Video rentals	6,000	6,000	7,283	1,283
Memorials and donations	900	900	2,081	1,181
Interest	16,800	16,800	16,480	(320)
Friends of the Library	10,000	10,000	10,960	960
Other	4,800	4,800	5,142	342
Total revenues	145,500	145,500	148,480	2,980
Expenditures				
Salary	60,000	60,000	57,066	2,934
Employee benefits	4,800	4,800	3,350	1,450
Payroll taxes	4,800	4,800	4,366	434
Books/periodicals	17,400	17,400	15,424	1,976
Videotapes	3,600	4,400	4,250	150
Audio tapes/music	5,700	5,700	3,070	2,630
Children's program	900	900	633	267
Maintenance	4,200	7,400	6,683	717
Utilities	7,200	7,200	5,989	1,211
Insurance	2,700	2,700	2,650	50
Office supplies	4,200	4,350	3,919	431
Professional services	5,600	5,600	4,483	1,117
Dues	250	250	158	92
Capital outlay	5,400	6,100	4,662	1,438
Miscellaneous	1,200	1,900	1,367	533
Total expenditures	127,950	133,500	118,070	15,430
REVENUES OVER EXPENDITURES	17,550	12,000	30,410	18,410
Fund balance/net assets - beginning of year	552,615	552,615	552,615	-
Fund balance/net assets - end of year	<u>\$ 570,165</u>	<u>\$ 564,615</u>	<u>\$ 583,025</u>	<u>\$ 18,410</u>

The accompanying notes are an integral part of these statements.



DENNIS, GARTLAND & NIERGARTH

Business and Financial Advisors
Our clients' success – our business

Thomas E. Gartland, CPA
Brad P. Niergarth, CPA
James G. Shumate, CPA
Robert C. Thompson, CPA
Michael D. Shew, CPA
Mark F. Krantz, CPA
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Heidi M. Wendel, CPA

**REPORT ON COMPLIANCE AND INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Library Board
Glen Lake Community Library

We have audited the basic financial statements of the *Glen Lake Community Library* as of and for the year ended December 31, 2006 and have issued our report thereon dated July 6, 2007. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Glen Lake Community Library's general purpose financial statements are free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Glen Lake Community Library's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, Library Board and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Dennis, Gartland & Niergarth

July 6, 2007
Member of



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AUDIT-RELATED COMMUNICATIONS

To the Board of Directors
Glen Lake Community Library

We have audited the financial statements of the Glen Lake Community Library (the "Library") for the year ended December 31, 2006, and have issued our report thereon dated July 6, 2007. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated February 20, 2007, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of the Library. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Significant Accounting Policies

Management is responsible for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Library are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2006. We noted no transactions entered into by the Library during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

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Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Library's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the Library, either individually or in the aggregate, indicate matters that could have a significant effect on the Library's financial reporting process.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Library's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

This information is intended solely for the use of Board of Directors and management of Glen Lake Community Library and is not intended to be and should not be used by anyone other than these specified parties.

Dennis, Gartland & Niergarth

July 6, 2007